



Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, Tennessee 37902-1401

October 22, 2009



Dear Medicare Supplement Enrollee:

This letter provides information about the TVA-sponsored Medicare Supplement plan for 2010.

Your Medicare Supplement plan will continue to include medical coverage through BlueCross BlueShield of Tennessee and drug coverage in a Medicare Part D plan administered by Medco. Other Medicare Part D plans will soon hold open-enrollment periods but **you do not need to enroll in a Part D plan if you continue coverage in the TVA Medicare Supplement plan.** In fact, Medicare will not allow you to have two Part D plans.

Medco will send you information about your prescription-drug coverage for 2010. While there are no changes in deductible or copayments for next year, some medications may be covered in different tiers next year, and a change in tier might change the amount you pay for a drug. Please read the Medco information carefully to be sure you understand your coverage. There are no changes being made to the medical portion of your Medicare Supplement plan.

The monthly premium for 2010 will be \$315. This does not reflect any pension supplement or contribution you receive to help with the cost of your medical coverage. If you receive such help, you may pay a lesser amount.

This increase is directly due to increased prescription-drug expenses. Because your prescription-drug plan is self-funded, the premiums collected must cover the expenses of the plan. When the costs go up, the premiums must be increased accordingly to cover the amounts paid by the plan. Since 2006, drug costs under your plan have increased between 9 and 11 percent each year. With nine months of cost information available so far this year, another increase of 10 percent is projected.

Fortunately, favorable experience under the medical portion of your plan has made it possible to minimize premium increases in recent years. The 2006 and 2007 premium was \$272. The premium was increased to \$294 in 2008 and remained at that rate for 2009. We continue to see favorable experience under the medical portion, but that does not offset the need now for a premium change due to increasingly higher drug costs.

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The increases in drug costs are due in large part to inflation and higher utilization by plan participants. While you as a patient have no control over inflation, there are things you can do to help contain prescription-drug cost increases. If you are using brand-name drugs, talk with your physician about switching to generic alternatives. If you are on maintenance medications, you can save money for yourself and for your plan by using the home-delivery program. Since 2006, the use of home-delivery for maintenance medications has continued to decline. By not using home-delivery for maintenance medications, you are increasing your own out-of-pocket costs at the time of purchase and you are increasing the costs to the plan, which will translate into higher premiums for everyone.

A reminder if your payment for medical coverage is deducted from your monthly retirement check—If your monthly retirement check is not sufficient to allow for withholding of this increased premium, you will need to change your method of payment to automatic bank-drafting. TVA will review records in early 2010 and will notify you if it appears that your premium can no longer be deducted from your monthly retirement benefit.

We know your medical plan is important to you and encourage you to read the information you receive from Medco to make sure you understand your drug coverage. If you have questions about coverage for specific drugs, please call Medco Customer Service at 800-592-4520 (800-716-3231 TTY). If you have general questions about your Medicare Supplement plan, you may call the TVA Service Center at 888-275-8094.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary R. Napier", with a stylized flourish at the end.

Gary R. Napier
Senior Manager
Employee Benefits